

## Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

DRAFTED BY EUR/RPE:DLAMB:LW

APPROVED BY EB - MR. END:RS

TREAS - MR. WIDMAN/MR. NIEHUSS

E - MR. SORENSON

EUR/RPE - MR. PREEG

S/S MR.ORTIZ

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE

C O N F I D E N T I A L STATE 240779

EXDIS

E.O. 11652: GDS

TAGS: EGEN, OECD

SUBJECT: OCTOBER XCSS MEETING: PROPOSED RESPONSE TO JOLLES

FOR UNDER SECRETARY ROBINSON

1. XCSS CHAIRMAN JOLLES HAS WRITTEN TO YOU (OECD PARIS 25735, REPEATED TO YOU 10-8) AND OTHER HEADS OF XCSS DELEGATIONS PROPOSING THAT THE OCTOBER 21-22 MEETING SHOULD "CONSIDER WHAT ARRANGEMENTS SHOULD BE MADE TO PREPARE FOR THE DIALOGUE" AND, ALSO, DEFINE THE ROLE THAT THE XCSS WILL PLAY. THE TEXT OF A PROPOSED REPLY, DRAFTED BY EUR AND CONCURRED IN BY EB AND TREASURY, FOLLOWS. REPLY COMMENTS (FAVORABLY FOR THE MOST PART) ON JOLLES' SPECIFIC SUGGESTIONS, BUT ADDS THAT THE XCSS SHOULD ALSO CONSIDER THE POLITICAL IMPLICATIONS FOR THE DIALOGUE OF INTERNATIONAL FINANCIAL IMBALANCES AS WELL AS THE BROADER QUESTION OF NORTH-SOUTH RELATIONS.

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2. TEXT OF PROPOSED REPLY:

THANK YOU FOR YOUR RECENT LETTER CONCERNING THE FORTH-COMING MEETING OF THE EXECUTIVE COMMITTEE IN SPECIAL SESSION. THIS WILL BE A PARTICULARLY IMPORTANT MEETING OF OUR COMMITTEE AND I WELCOME YOUR VIEWS ON THE TASKS THAT LIE BEFORE US.

I AM IN GENERAL AGREEMENT WITH YOUR PROPOSALS AS REGARDS ISSUES RELATED TO THE LAUNCHING OF THE FOUR COMMISSION DIALOGUE. THE OECD WILL BE THE LOCUS OF INDISPENSABLE INDUSTRIALIZED COUNTRY COORDINATION IN THE DIALOGUE, AND THE XCSS WILL BE A PRINCIPAL INSTRUMENT OF THAT COORDINATION.

WE BELIEVE THAT COORDINATION SHOULD BE APPROACHED PRAGMATICALLY SO AS TO AVOID ANY POSSIBILITY OF A STERILE DEBATE OVER THE JURISDICTIONS OF VARIOUS OECD BODIES ENGAGED IN PREPARATION OF THE DIALOGUE. THUS, WHILE THE XCSS SHOULD TAKE COGNIZANCE OF THE WORK UNDERWAY IN THE IEA AND ON FINANCIAL QUESTIONS IN BOTH THE IEA AND THE TEMPORARY WORKING PARTY OF THE ECONOMIC POLICY COMMITTEE, IT SHOULD NOT DO MORE AT THIS STAGE.

I WELCOME YOUR SUGGESTION THAT HEADS OF DELEGATION DISCUSS THE AIMS AND INTERRELATIONSHIPS OF THE FOUR COMMISSIONS. THE INDUSTRIALIZED COUNTRIES HAVE BEEN PUT ON NOTICE THAT THE OPEC AND DEVELOPING COUNTRY PARTICIPANTS VIEW THE DIALOGUE AS A SINGLE NEGOTIATION AND WANT CLOSE LINKS BETWEEN THE COMMISSIONS AND A SUBSTANTIVE ROLE FOR THE GROUP OF 27. AN EXCHANGE OF VIEWS ON THE IMPLICATIONS OF "INTERRELATIONSHIP" WOULD BE USEFUL IN CLARIFYING THE VIEWS OF OECD COUNTRIES ON THIS QUESTION.

I HOPE OUR OFFICIAL MEETING WILL ALSO CONSIDER THE TERMS OF REFERENCE OF THE RAW MATERIALS AND DEVELOPMENT COMMISSIONS IN SOME DETAIL. FOR THESE COMMISSIONS, THE COMMITTEE SHOULD IDENTIFY THE ISSUES ON WHICH

INDUSTRIALIZED COUNTRY POSITIONS ARE NEEDED AND INSTRUCT THE HIGH-LEVEL GROUPS ON NORTH-SOUTH RELATIONS AND COMMODITIES TO PREPARE THEM. THE HIGH-LEVEL GROUP ON NORTH-CONFIDENTIAL

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SOUTH RELATIONS SHOULD BE ENCOURAGED TO TAKE A BROAD VIEW OF ITS MANDATE IN ORDER TO PREPARE FOR THE RANGE OF ISSUES LIKELY TO BE RAISED IN THE DEVELOPMENT COMMISSION.

IN CONSIDERING THE TERMS OF REFERENCE FOR THE DEVELOPMENT AND POSSIBLY THE FINANCIAL COMMISSION, ONE PARTICULARLY IMPORTANT ISSUE STANDS OUT. I REFER TO THE PROBLEM OF LDC INTERNATIONAL PAYMENTS IMBALANCES. AS YOU KNOW,

BALANCE OF PAYMENTS DEFICITS ARE MOUNTING IN THE NON-OIL DEVELOPING COUNTRIES AT AN UNSUSTAINABLE RATE, WHILE LARGE SURPLUSES ACCUMULATE IN SEVERAL OPEC COUNTRIES AND A FEW MAJOR OECD COUNTRIES AS WELL. THIS DEVELOPMENT WILL EXERT A MAJOR POLITICAL INFLUENCE ON THE DIALOGUE. IT WOULD BE USEFUL, IN OUR VIEW, FOR MEMBERS OF THE XCSS TO EXCHANGE VIEWS ON HOW, IN THE CONTEXT OF THE DIALOGUE, WE MAY BEST HANDLE THIS ISSUE.

ALTHOUGH COORDINATION OF THE DIALOGUE AND RELATED MATTERS WILL BE A PRINCIPAL FOCUS OF OUR ATTENTION WHEN WE MEET, WE BELIEVE THE COMMITTEE SHOULD ALSO CONSIDER THE BROADER QUESTION OF NORTH-SOUTH RELATIONS. IF YOU AGREE, I SUGGEST THAT WE PLAN TO CONSIDER THE RANGE OF ACTIONS THAT CAN BE TAKEN TO MAINTAIN THE MOMENTUM ACHIEVED AT THE 7TH SPECIAL SESSION.

FINALLY, OUR MEETING WILL BE AN OPPORTUNITY TO ADVANCE, THROUGH INFORMAL CONSULTATIONS AMONG HEADS OF DELEGATION, THE CONSENSUS ON THE SELECTION OF ADDITIONAL INDUSTRIALIZED COUNTRY PARTICIPANTS IN THE DIALOGUE.

IF YOU FIND THESE SUGGESTIONS USEFUL, I HOPE YOU WILL ASK SECRETARY-GENERAL VAN LENNEP TO INCLUDE THEM ON THE AGENDA HE IS PREPARING. IF YOU WILL BE IN PARIS AT THE TIME OF THE PREPARATORY MEETING, WE COULD HAVE A MORE DETAILED DISCUSSION OF THE PROSPECTS FOR THE FORTHCOMING MEETING.

WITH BEST PERSONAL WISHES. CHARLES ROBINSON

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